

From: "Adam Kanzer" <akanzer@domini.com> on 04/06/2004 03:50:26 PM
Subject: Regulation BB - Community Reinvestment Act

April 6, 2004

Docket No. 04-06
Communications Division
Public Information Room, Mailstop 1-5
Office of the Comptroller of the Currency
250 E St. SW,
Washington 20219

Docket No. R-1181
Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington DC 20551

Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th St NW
Washington DC 20429

Regulation Comments, Attention: No. 2004-04
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street NW
Washington DC 20552

Dear Officials of Federal Bank and Thrift Agencies:

I am writing on behalf of Domini Social Investments LLC, an SEC-registered investment adviser that specializes exclusively in socially responsible investing, to urge you to withdraw the proposed changes to the Community Reinvestment Act (CRA) regulations. CRA has been instrumental in increasing access to homeownership, boosting economic development, and expanding small businesses in the nation's minority, immigrant, and low- and moderate-income communities. We believe that your proposed changes are contrary to the CRA statute and risk halting the progress made in community reinvestment.

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Domini Social Investments manages more than \$1.8 billion in assets for individual and institutional mutual fund investors who wish to incorporate social and environmental criteria into their investment decisions. We manage the Domini Social Equity Fund, the oldest and largest

socially and environmentally screened index fund, and the Domini Social Bond Fund and Domini Money Market Account, two investment vehicles with unique commitments to community development.

Community development investing is one of the three primary strategies employed by socially responsible investors, reflecting our belief that a healthy economy must be built from the bottom up. Our bond fund is submanaged by ShoreBank, of Chicago. It is the first mutual fund to be submanaged by a community development financial institution. The Fund sets aside 10% of its portfolio to direct investments in community development, and considers community development issues for all of its holdings. Our money market is a pass-through account to ShoreBank that is fully invested in community development initiatives.

We also consider community issues for all of our corporate holdings, evaluating, for example, a bank's CRA rating prior to investment. We have also raised predatory lending issues with our holdings through our proxy voting policies and our shareholder advocacy program. A corporation's performance on these issues is clearly critical to providing access to capital to underserved communities. We also believe that strong performance in these areas is beneficial to the company's bottom line, and for long-term shareholder value.

Our social research providers often seek counsel from CANICCOR, an independent research organization that specializes in the analysis of HMDA data. CANICCOR has submitted thorough comments on these proposed rule changes, and we commend them to your attention. We also support comments submitted by the National Community Reinvestment Coalition.

The proposed changes include three major elements: 1) provide streamlined and cursory exams for banks with assets between \$250 million and \$500 million; 2) establish a weak predatory lending compliance standard under CRA; and 3) expand data collection and reporting for small business and home lending. The beneficial impacts of the third proposal are overwhelmed by the damage imposed by the first two proposals. In addition, the federal banking agencies did not update procedures regarding affiliates and assessment areas in their proposal, and thus missed a vital opportunity to continue CRA's effectiveness.

The proposed changes to CRA will directly undercut the Administration's emphasis on minority homeownership and immigrant access to jobs and banking services. The proposals regarding streamlined exams and the anti-predatory lending standard threaten CRA's statutory purpose of the safe and sound provision of credit and deposit services. The proposed data enhancements would become much more meaningful if the agencies update procedures regarding assessment areas, affiliates, and the treatment of high cost loans and purchases on CRA exams.

CRA is simply a law that makes capitalism work for all Americans. It is too vital to be gutted by harmful regulatory changes and neglect. Thank you for your attention to this critical matter. Please feel free to contact us if you would like to discuss this issue further.

Sincerely,

Adam Kanzer

General Counsel

Cc:

President George W. Bush
Treasury Secretary John W. Snow

Mark Goldfus, Sr. Vice President, Public Policy, Merrill Lynch
Mark Willis, Executive Vice President, Community Development Group, JPMorgan Chase

National Community Reinvestment Coalition

Adam Kanzer
General Counsel & Director of Shareholder Advocacy

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